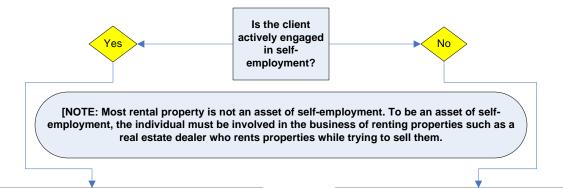
ASSETS OF RENTAL INCOME



Business assets are exempt. Assets of self-employment should be separated from personal assets; however, policy does not require that they be separated. To exclude assets of self-employment, the client must be able to identify the assets (type and amount or value) used for self-employment. When assets are co-mingled, it may be difficult to identify assets of self-employment. If a client cannot provide reasonable evidence that an asset is for self-employment, count it as an available resource.

Exempt up to \$6,000 of the equity of rental property or livestock if the net annual rate of return on the asset is at least 6% of the **excluded** equity. A net annual return is the amount of income produced after subtracting expenses necessary to generate the income.

If the 6% net annual return is met, exclude up to \$6,000 of the equity and count any equity value in excess of \$6,000. If the 6% net annual return is not met, count the entire equity amount. If one piece of property meets the 6% return rate, and another piece of property does not meet the 6% return rate, allow the \$6,000 equity exclusion only for the piece of property meeting the 6% test. Count the full equity value of the piece of property that does not meet the 6% test.

When the individual owns more than one piece of incomeproducing property, the 6% rate of return applies individually to each piece of income-producing property. However, the \$6000 exclusion of equity applies to the combined total equity value of all the properties meeting the 6% return requirement.

There is one exception to the 6% rate of return requirement:

If property produces less than the 6% return, the exclusion can still apply only if:

- 1) The lower return is for reasons beyond the individual's control; and
- 2) There is a reasonable expectation that the property will again produce a 6% return.

If the earning decline was for reasons beyond the individual's control, allow up to 24 months for the property to resume providing a 6% return. The 24-month count begins the first day of the tax year following the one when the property stopped earning a 6% rate of return.